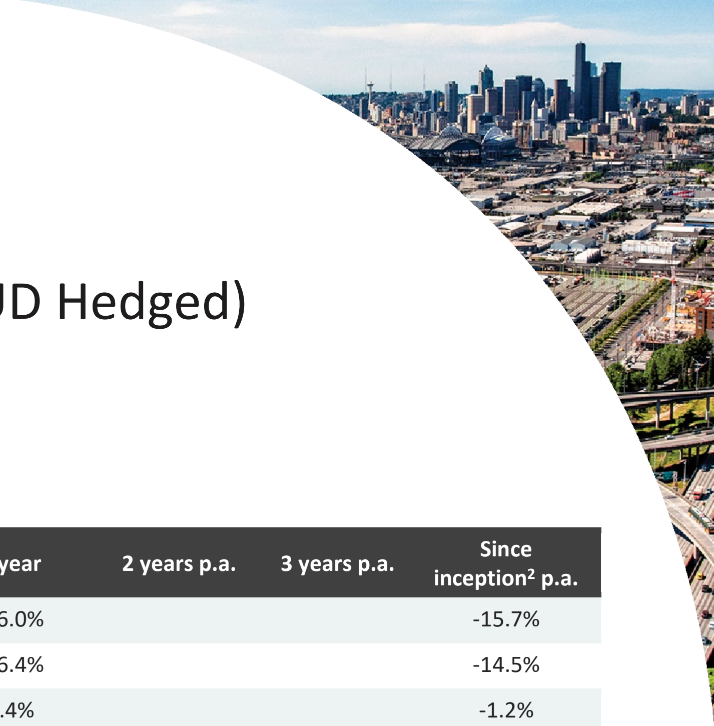


Quay Global Real Estate Fund (AUD Hedged)

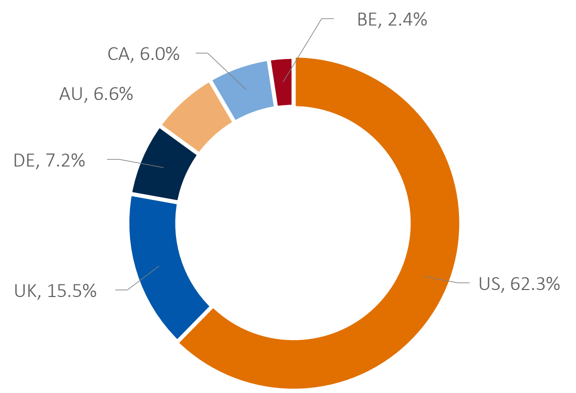
Performance report | 30 April 2023

Net client returns (after fees and expenses)

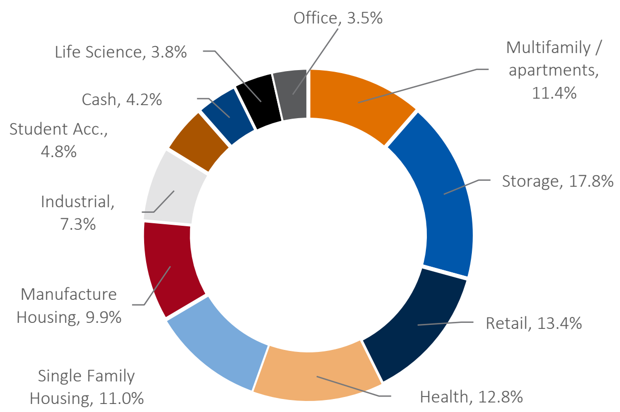
	1 mth	3 mths	6 mths	1 year	2 years p.a.	3 years p.a.	Since inception[2] p.a.
Fund	3.2%	-6.7%	3.9%	-16.0%			-15.7%
Benchmark[1]	2.0%	-5.5%	3.1%	-16.4%			-14.5%
Value added	1.2%	-1.2%	0.8%	0.4%			-1.2%

Performance figures include dividends and are after all fees and costs and gross of any earnings tax, but after withholding tax.

Geographic weighting



Sector weighting



Market commentary

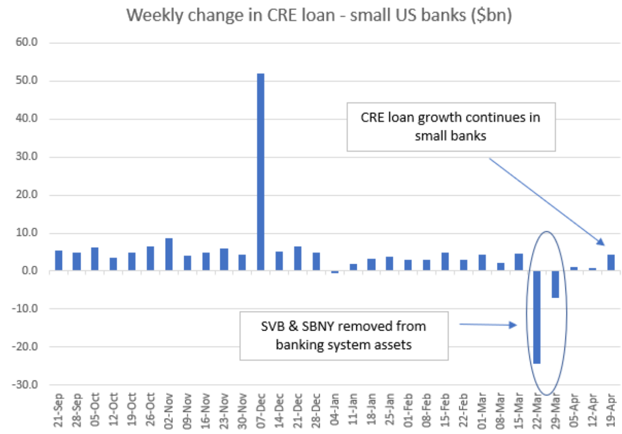
Global equities continue to climb the "wall of worry" posting a respectable +1.6% total return. Despite fears of inflation and a potential banking crisis, markets again reminded investors what really matters is earnings – and at the time of writing, according to FactSet, S&P 500 earnings have recorded their best performance relative to analyst expectations since Q4 2021.

Despite what appears to be a decent reporting season in the US, headlines continue to focus on the macro forces at play, with particular emphasis on the US/Global banking system. At month end First Republic bank fell into the hands of the FDIC and was subsequently sold to JP Morgan.

The issues for First Republic appear to be another duration mismatch (similar to Silicon Valley Bank) albeit with "Jumbo" residential mortgages. The third US bank that failed this year, Signature Bank, was largely due to bad loans associated with crypto related businesses.

Despite no bank having any issue with commercial real estate (CRE) loans, financial press headlines continue to the effect of "CRE loan crisis" – proving once again 'gaslighting' in the financial markets is real.

As we highlighted in last month's Investment Perspectives, outside of office assets, the scale of CRE loans across the small US regional banks looks more than manageable. In fact, recent data shows CRE loan growth is back to pre-bank crisis levels as per the chart below.



Source: US Federal Reserve (H8 tables), Quay Global Investors

Portfolio commentary

After last month's torrent of bad headlines for the asset class, cooler heads prevailed in April which was reflected in the portfolio's +3.2% return, largely reversing last month's loss.

The best performers this month reflected the diversity of the portfolio. Ventas (US Healthcare), LEG Immobilien (German Apartments) and Invitation Homes (US Housing) all posted significant gains.

The solid recovery in our US housing exposure is not a surprise. While local discussion focuses on residential price recovery in Australia, various house price indicators suggest house prices may have bottomed in the US during the months of February and March (while rent continues to march relentlessly higher). We are also seeing nice house price gains in other markets including Canada, UK and Germany. All this despite globally higher interest rates. So, what is going on? Is FORA (fear of renting again) driving global house price growth? We dig into the issue in this month's Investment Perspectives.

The portfolio retains a significant weight to global residential property.

The laggards in April were led by our Office exposure – which was somewhat surprising since our main investee in this space, Empire State Realty, posted solid leasing gains (up 400bpts y-o-y) and leasing spreads (+5%) for the March quarter – which is somewhat contrary to the headlines.

The month also saw more companies demand workers back to the office including JP Morgan[1] and Amazon[2]. As we highlighted in our 2021 paper Thinking About Office we believe some weakness in the labour market may actually benefit office landlords this cycle. Meanwhile select office REITs with rock solid balance sheets and positive leasing spreads are trading at ~7x earnings.

Portfolio Outlook

We are currently in the early innings of the first quarter operational updates, and so far, we remain comfortable with portfolio positioning. To date each investee has met or exceeded our expectations and there remains ample evidence they continue to have good access to capital despite recent bank disruptions.

With low payout ratios, minimal near-term refinancing risk, largely hedged debt books, and strong secular tailwinds, we believe our investees are well positioned to meet our return objective over the medium term.

Fund details

Feature	Information
APIR Code	BFL3333AU
Investment objective	To generate a real total return of at least 5% above CPI per annum over a 5+ year investment horizon
Portfolio managers	Chris Bedingfield/Justin Blaess
Stock number	24
Fund size	A$64m
Inception date	2 February 2022[2]
Recommended investment period	Long term (5+ years)
Minimum investment (AUD)	$20,000
Additional investment (AUD)	$5,000
NAV[3]	0.7974
Buy/Sell spread	+/-0.20%
Entry/Exit fees	Nil
Distributions	Bi-annual
Management fee[4]	0.82%

[1] https://www.afr.com/companies/financial-services/jpmorgan-calls-managing-directors-to-office-five-days-a-week-20230413-p5d00s

[2] https://fortune.com/2023/04/13/amazon-ceo-andy-jassy-return-to-office-mandate/

How to invest

The Fund is open to investors directly via the PDS (available on our website) or the following platforms.

Platforms

AMP North
CFS (FirstWrap)
Dash
Hub24 (Super and IDPS)
Macquarie Wrap
Mason Stevens
Netwealth (Super Service, Wrap Service)
Praemium

Get in touch

quaygi.com

1800 895 388 (AU) or 0800 442 304 (NZ)

client.experience@bennelongfunds.com

[1] Benchmark is the FTSE EPRA/NAREIT Developed Hedged Index NET TR AUD. Source: FTSE International Limited ("FTSE") © FTSE 2017. "FTSE®" is a trade mark of the London Stock Exchange Group companies and is used by FTSE International Limited under licence. "NAREIT®" is a trade mark of the National Association of Real Estate Investment Trusts and "EPRA®" is a trade mark of European Public Real Estate Association and all are used by FTSE under licence. All rights in the FTSE indices and / or FTSE ratings vest in FTSE and/or its licensors. Neither FTSE nor its licensors accept any liability for any errors or omissions in the FTSE indices and / or FTSE ratings or underlying data. No further distribution of FTSE Data is permitted without FTSE's express written consent.

[2] Inception date is 2 February 2022.

[3] Adjusted for expected withholding taxes.

[4] The management fee does not include fund expenses, which are capped at 0.10% per annum on net asset value, or the performance fee. Any performance fee payable is 15.375% of the excess return over the greater of CPI and the FTSE/EPRA NAREIT Developed Hedged Index (net) Total Return (AUD). All fees quoted include GST net of reduced input tax credits. For more information, refer to the Fund's Product Disclosure Statement available on our website.